

Message Text

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ACTION EUR-12

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SUBJECT: CAPITAL CONSTRUCTION RESULTS FOR FIRST HALF OF
1978

REF: A. MOSCOW A-166, B. MOSCOW A-157, C. MOSCOW A-99 NOTAL

SUMMARY. THE VOLUME OF FIXED ASSETS BROUGHT ON STREAM IN
THE USSR IN THE FIRST HALF OF 1978 WAS UP SIGNIFICANTLY
OVER THE SAME PERIOD OF 1977. MOST CONSTRUCTION MINIS-
TRIES CAME CLOSER TO MEETING THEIR TARGETS FOR COMPLETION
OF CONTRACT WORK THAN IN 1977. LABOR PRODUCTIVITY ROSE
3 PERCENT, BUT, EVEN IF THIS RATE OF GROWTH WERE MAIN-
TAINED FOR THE REST OF THIS YEAR IT WOULD FALL SHORT OF
THE FIVE YEAR PLAN TARGET FOR LAST YEAR BY HALF A PERCENT-
AGE POINT. CONSTRUCTION IS SUCH A PROBLEM AREA THAT A
CENTRAL COMMITTEE SESSION ADDRESSED IT AND TOOK OFFICIALS
AND PARTY SECRETARIES TO TASK FOR THE INDUSTRY'S FAILURES.
HOWEVER, THE ESSENTIALLY ORGANIZATIONAL SOLUTIONS PROPOSED
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ARE LIKELY TO HAVE LITTLE SHORT-TERM EFFECT BECAUSE THEY
DO NOT ADDRESS THE IMMEDIATE PROBLEMS CONFRONTING THE
CONSTRUCTION INDUSTRY--SHORTAGES OF SUPPLIES AND TRAINED
PERSONNEL. END SUMMARY.

1. FIRST HALF ECONOMIC STATISTICS, PUBLISHED IN JULY 22
CENTRAL PRESS, INCLUDE DATA ON THE CONSTRUCTION INDUSTRY

WHICH SHOW IMPROVED PERFORMANCE BUT CONTINUED EXISTENCE OF SERIOUS SHORTCOMINGS AND PROBLEMS. FIXED ASSETS WORTH 26 BILLION RUBLES WERE BROUGHT ON STREAM DURING THE FIRST SIX MONTHS OF 1978, A SIGNIFICANT 11 PERCENT INCREASE OVER THE RESULTS IN THE CORRESPONDING PERIOD OF 1977. AT A JULY 12 CENTRAL COMMITTEE MEETING IT WAS STATED THAT CONSTRUCTION-INSTALLATION WORK AS A WHOLE WAS UP 3 PERCENT IN THE FIRST SIX MONTHS OF 1978. MOST CONSTRUCTION MINISTRIES ACHIEVED RESPECTABLE INCREASE OVER 1977 IN VOLUME OF CONTRACT WORK COMPLETED. THE MAJORITY, NONETHELESS, FAILED TO ACHIEVE THEIR PLAN TARGETS, BUT THEY WERE CLOSER THAN IN 1977.

2. FIGURES FOR THE FIRST SIX MONTHS OF 1978 ARE SHOWN BELOW. THE FIRST COLUMN GIVES PERCENT OF PLAN FULFILLMENT FOR CONTRACT WORK COMPLETED. THE SECOND SHOWS THE VOLUME OF CONTRACT WORK COMPLETED AS COMPARED WITH FIRST HALF 1977. THE THIRD LISTS GROWTH OF LABOR PRODUCTIVITY ON THE SAME BASIS.

MINISTRY	PLAN FULFILLMENT	CONTRACT WORK COMPLETED	LABOR PRODUCTIVITY
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CONSTRUCTION OF HEAVY

INDUSTRY ENTERPRISES	95	100.6	102.1
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INDUSTRIAL CONSTRUCTION	93	99.3	100.4
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CONSTRUCTION OF PETROLEUM
AND GAS INDUSTRY

ENTERPRISES	96	104	102.9
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CONSTRUCTION	96	100.4	100.5
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TRANSPORT CONSTRUCTION	102	105	103.5
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POWER AND ELECTRIFI-
CATION

	99.2	104	104
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LAND RECLAMATION AND

WATER RESOURCES	101	104	103.6
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INSTALLATION AND

SPECIAL CONSTRUCTION

WORK	-	104	99.6	103.6
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RURAL CONSTRUCTION	98	103.4	103.4
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3. THE CONSTRUCTION INDUSTRY AS A WHOLE REGISTERED A THREE PERCENT GAIN IN LABOR PRODUCTIVITY IN FIRST SIX MONTHS OF 1978--ABOUT THE SAME AS IT HAD LAST YEAR. EVEN IF THE INDUSTRY-WIDE AVERAGE SHOULD REMAIN AT THREE PERCENT FOR THE REST OF THE YEAR, HOWEVER, THE GROWTH OF LABOR PRODUCTIVITY AT THE END OF THREE YEARS OF THE FIVE YEAR PLAN WOULD BE BELOW THE INCREASE PLANNED FOR THE FIRST TWO YEARS. ACCORDING TO N. ROGOVSKIY (PRAVDA MARCH 14, REF C), PRODUCTIVITY IN THE FIRST TWO YEARS WAS TO INCREASE 9.8 PERCENT. IT ACTUALLY INCREASED ONLY 6.3 PERCENT. ASSUMING A 3 PERCENT RATE FOR ALL OF 1978, RATE FOR THE FIRST THREE YEARS WOULD BE ONLY 9.48 PERCENT.

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4. OBVIOUSLY, THE PERFORMANCE OF THE SOVIET CONSTRUCTION INDUSTRY IS UNSATISFACTORY, AND THAT WAS MADE CLEAR AT A JULY 12 CENTRAL COMMITTEE MEETING. ACCORDING TO JULY 13 PRAVDA ARTICLE, THE MEETING WAS ATTENDED BY POLITBURO MEMBER KIRILENKO, CPSU SECRETARY DOLGIKH, DEPUTY CHAIRMAN OF THE COUNCIL OF MINISTERS N.K. BAYBAKOV, UNION REPUBLIC KRAYKOM, OBKOM SECRETARIES, AND DEPARTMENT AND MINISTRY MANAGERS. IT DISCUSSED JANUARY 26 CENTRAL COMMITTEE AND COUNCIL OF MINISTERS' DECREE ABOUT FINISHING MAJOR CONSTRUCTION PROJECTS IN 1978 AND CRITICIZED CONSTRUCTION AND ORDERING MINISTRY MANAGERS FOR PERMITTING LAGS IN BRINGING IMPORTANT PROJECTS ON STREAM AND FOR SLOW

START-UP OF PRODUCTION IN COMPLETED PROJECTS. GOSPLAN, GOSSNAB, AND VARIOUS MACHINE-BUILDING MINISTRIES WERE ACCUSED OF NEGLECTING TO FULFILL ORDERS FOR EQUIPMENT AND SUPPLY OF EQUIPMENT TO PROJECTS. MANAGERS WERE INSTRUCTED TO EXAMINE THE PROGRESS OF WORK ON ALL PROJECTS UNDER CONSTRUCTION AND TO UNDERTAKE "CONCRETE" MEASURES TO ASSURE AN ADEQUATE SUPPLY OF LABOR, MATERIALS LIMITED OFFICIAL USE

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AND TECHNOLOGY; TO ENSURE CONDITIONS CONDUCIVE TO HIGH PRODUCTIVITY; AND TO MANAGE OPERATIONS MORE STRICTLY. REPUBLIC, KRAYKOM AND OBKOM CENTRAL COMMITTEE MEMBERS WERE INSTRUCTED TO INCREASE SOCIALIST COMPETITION, AND TO FOSTER GREATER RESPONSIBILITY BY CONSTRUCTION PROJECT MANAGERS AND ENTERPRISES FOR FULFILLING PLANS.

5. COMMENT: DESPITE HIGH LEVEL ATTENTION, CAPITAL CONSTRUCTION INDUSTRY HAS LITTLE PROSPECT OF ACHIEVING 1978 PLAN TARGETS--AND MAKING UP FOR SHORTFALLS IN 1976 AND 1977. THE PROBLEMS BESETTING THE INDUSTRY DO NOT APPEAR AMENABLE TO SHORT TERM SOLUTIONS. THE MINISTRY OF CONSTRUCTION, FOR EXAMPLE, IS BESET BY SUCH PROBLEMS AS HIGH TURNOVER AMONG MANAGERIAL AND ENGINEERING-TECHNICAL PERSONNEL (CRITICIZED BY THE CENTRAL COMMITTEE, REF C), THE DISPERSION OF RESOURCES OF 32,000 PROJECTS, AND PLANNING PROCEDURES WHICH MAKE THE ORDERING OF MATERIALS AT BEST "GUESSTIMATES" (A COMPLAINT VOICED BY THE MINISTER OF CONSTRUCTION INDUSTRY, REF B). "SUPPLYING CONSTRUCTION SITES WITH ADEQUATE LABOR AND MATERIALS" AS THE CENTRAL COMMITTEE DEMANDS IS LIKELY TO PROVE DIFFICULT. THE LABOR MARKET LOOKS INCREASINGLY TIGHT AND MINISTRY OF CONSTRUCTION MATERIALS INDUSTRY'S PRODUCTION IS GROWING AT ONLY 3 PERCENT, WITH LITTLE CHANCE OF INCREASING OUTPUT (REF A). TOON

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